

MAY 23, 2006 OPEN MEETING

**PROPOSED RULES ON SUCCEEDING TO THE REGISTRATION STATUS OF A
PREDECESSOR FIRM**

Statement of Daniel L. Goelzer

It makes good sense for the Board to be flexible in allowing firms to continue their registration when they undergo changes in their legal form or add to their practices through mergers. Otherwise, we are elevating form over substance.

The consequences of a public company's auditor becoming unregistered can be severe for both the company and the auditor. The SEC could reject the company's financial statements or bring enforcement action against it. At minimum, the company may have to change auditors precipitously, without the opportunity for careful consideration. The Board should certainly do everything it can to reduce the risk of that occurring, especially in situations where the events that trigger the need for the firm to re-register are more formal than substantive.

Moreover, Congress has given the Board rather limited discretion in deciding whether or not to register a firm. Occasionally denial of registration is appropriate. In most cases, however, registration serves more to place the firm's name on our inspection rolls, than it does to reflect any Board determination about the fitness or competency of the firm. In light of that, I think it is quite appropriate that we permit firms that are, in reality, the continuation of an existing, registered public accounting practice, to retain their status as registered firms with a minimum of hassle and paperwork.

I see that as the underlying philosophy of these proposals, and I support that objective.